

Message Text

CONFIDENTIAL

PAGE 01 ASUNCI 03950 01 OF 02 141056Z
ACTION ARA-15

INFO OCT-01 ISO-00 HA-05 EB-08 OMB-01 TRSE-00 AID-05
OPIC-03 CIAE-00 INR-10 NSAE-00 SS-15 SP-02 L-03
AGRE-00 IO-13 STR-07 COME-00 FRB-03 XMB-02 /093 W
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R 131700Z SEP 78
FM AMEMBASSY ASUNCION
TO SECSTATE WASHDC 3975

C O N F I D E N T I A L SECTION 1 OF 2 ASUNCION 3950

E.O. 11652: GDS
TAGS: EAID, SHUM, PA
SUBJECT: BILATERAL ASSISTANCE TO PARAGUAY

REF: A. STATE 211450, B. ASUNCION 3883, C. STATE 228604

SUMMARY: REFTTEL A INFORMED EMBASSY THAT WHILE DEPARTMENT HAD
CONSIDERED
POINTS WE RAISED, IT HAD DECIDED TO APPROVE 4.9 MILLION IDB RURAL
HEALTH LOAN. DEPTTEL FURTHER STATED THAT THIS DECISION "WILL NEED A
CAREFUL EXPLANATION TO THE PARAGUAYANS BOTH IN WASHINGTON AND
ASUNCION
OF THE IMPORTANT DISTINCTION BETWEEN BASIC HUMAN NEEDS (BHN) AND
NON-BHN ITEMS".

WE HAVE TAKEN CARE TO ASSURE THAT THE PARAGUAYANS UNDERSTAND THIS
POINT AS WELL AS WE CAN EXPLAIN IT. THE GOVERNMENT CONCLUDED FROM OUR
EXPLANATION THAT AS LONG AS THEY MAINTAIN SOME FORWARD MOTION ON
HUMAN RIGHTS THE U.S. WILL VOTE FOR LOANS TO PARAGUAY WHICH MEET
BHNS.

WE COULD NOT CONTRADICT THEIR LOGIC BUT WE ARE NOT CERTAIN THEY ARE
CORRECT. THEIR OTHER CONCLUSION (NOT EXPRESSED TO US DIRECTLY BUT
REPORTED TO US AS THE GOP'S UNDERSTANDING OF ACTIONS TAKEN UNDER
REF A) WAS THAT THE U.S. HAS CHANGED ITS POLICY REGARDING THE
IMPORTANCE

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PAGE 02 ASUNCI 03950 01 OF 02 141056Z

OF SETTING A DATE FOR THE IAHRV VISIT. DEPARTMENT ORIGINALLY
TOLD THE GOP IT WOULD GET NOTHING UNTIL DATE SET (SEE
77 STATE 153087 AND 77 STATE 229738). GOP HELD OUT AND WE
CHANGED OUR POSITION.

IN THE MEANTIME, HOWEVER, THE GOP ALSO MADE MEASURABLE PROGRESS
TOWARD IMPROVING THE HUMAN RIGHTS SITUATION ON THE GROUND, AND

BASED ON THE PROGRESS AND OUR UNDERSTANDING FROM REFTEL A THAT DEPARTMENT HAD DECIDED PARAGUAY WAS NOW ELIGIBLE FOR LOANS WHICH MEET BNH, WE RECOMMENDED APPROVAL OF THE \$10.5 IDB AGRICULTURAL EDUCATION LOAN. WE NOTE THAT REF C SAYS U.S. VOTE ON THE AGRICULTURAL EDUCATION LOAN WILL DEPEND ON THE HUMANRIGHTS SITUATION AT THE TIME BUT DOES NOT MENTION THE IAHRC VISIT.

THIS BRINGS US TO OUR BILATERAL AID PROGRAM. HAVING CHANGED OUR POLICY IN THE IFIS, WE ARE NOW ATTEMPTING TO USE THE AID PROGRAM AS THE SOLE LEVER TO INFLUENCE THE GOP TO GRANT THE IAHRC VISIT. IT WILL NOT WORK AND WE THEREFORE FACE THE EARLY PROSPECT OF DISMANTLING OUR AID MISSION UNLESS WE CHANGE OUR BILATERAL POLICY AS WELL. I BELIEVE THAT WE SHOULD APPROVE ONE 5 MILLION LOAN UNDER AID AUSPICES, DESPITE SOME MISGIVINGS OVER THE DIRECTION GOP IS PRESENTLY TAKING AND LACK OF EVIDENCE THAT IT PLANS TO CONCEDE IAHRC VISIT SOON. THE LOGIC OF THIS RECOMMENDATION REQUIRES CAREFUL EXPLICATION. END SUMMARY.

1. OVER A YEAR AGO, WHEN USG DECIDED TO HOLD UP APPROVAL OF NEW DEVELOPMENT ASSISTANCE PROJECTS FOR PARAGUAY, WE FOCUSED FIRST ON IFI VOTES AND INFORMED GOP THAT WE REGARDED IAHRC VISIT AS PARAMOUNT SYMBOL OF ITS WILLINGNESS TO IMPROVE HUMAN RIGHTS CLIMATE HERE. OUR PURPOSE, WELL UNDERSTOOD ON BOTH SIDES, WAS TO PERSUADE GOP TO SET A DATE FOR THE VISIT AND THAT SANCTION FOR NOT DOING SO WAS SUSPENSION OF ASSISTANCE CONTROLLED BY USG, BOTH MULTILATERAL AND BILATERAL. TO ASSURE CONFIDENTIAL

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PAGE 03 ASUNCI 03950 01 OF 02 141056Z

THAT OUR MESSAGE RE THE IAHRC WAS CLEAR, DEPARTMENT DECIDED TO MAKE NO DISTINCTION BETWEEN PROJECTS THAT SERVE BASIC HUMAN NEEDS AND PROJECTS THAT DO NOT, WHETHER IN IFIS OR BILATERALLY. OUR STAND IN THE IFIS HAD A POWERFUL IMPACT ON THE GOP BECAUSE IT BELIEVED THAT NEGATIVE U.S. VOTES AFFECTED THE INTERNATIONAL CREDIT STANDING OF PARAGUAY AND SLOWED KEY PRIVATE LOANS FOR MAJOR COMMERCIAL PROJECTS.

2. HAVING CHANGED OUR POSITION ON APPROVAL OF IDB RURAL HEALTH LOAN SEEMS TO SAY THAT THE DATE OF THE IAHRC VISIT IS NOW OF LOWER PRIORITY FOR US. RELAXING OUR POSITION ON THE IDB LOAN HAS SHARPLY REDUCED PRESSURE ON THE GOP TO FIX A DATE FOR THE VISIT IN THE NEAR FUTURE. IF WE WITHHOLD APPROVAL OF BILATERAL LOANS UNTIL A DATE IS SET, WE HAVE INCREASED THE UNCERTAINTIES ABOUT THE FUTURE OF OUR BILATERAL ASSISTANCE PROGRAM. THE IMPACT ON OUR AID MISSION IS DISTURBING BECAUSE ITS STAFF WILL BE REDUCED BY ATTRITION AND TRANSFERS, ITS RELATIONSHIPS WITH COUNTERPART AGENCIES WILL DETERIORATE AND ITS MORALE WILL BE EXTREMELY DIFFICULT TO MAINTAIN, RESULTING IN A DE FACTO PHASE-DOWN WHICH WOULD WEAKEN THE IMPACT OF ANY SUBSEQUENT DECISION TO REMOVE OUR AID MISSION.

3. THE DECISION WEAKENS THE BILATERAL PROGRAM IN OTHER WAYS AS WELL. FOR INSTANCE, IT IS BEYOND DISPUTE THAT THE BILATERAL LOANS WHICH WE HAVE PENDING ARE MUCH MORE RESPONSIVE TO HUMAN NEEDS THAN THE IDB LOANS. GENERALLY, THE BILATERAL PROGRAM HAS A GREATER CAPACITY TO INFLUENCE THE ALLOCATION OF RESOURCES TOWARD MEETING BASIC HUMAN NEEDS THAN DO THE MULTILATERAL PROGRAMS BECAUSE THE USAID MISSION IS ON THE SCENE WORKING DAILY WITH ITS COUNTERPARTS AND GETTING THE HUMAN NEEDS MESSAGE ACROSS THROUGH PROJECT IMPLEMENTATION AS WELL AS PROJECT DESIGN. BY RATIONALIZING THE APPROVAL OF THE IDB LOAN ON GROUND OF RESPONSIVENESS TO HUMAN NEEDS, WE HAVE RAISED A QUESTION ABOUT THE SERIOUSNESS OF OUR BILATERAL COMMITMENT TO THE SAME OBJECTIVE. IT WOULD, MOREOVER, NOT BE UNREASONABLE FOR THE GOP TO CONCLUDE THAT THE MULTILATERAL CHANNEL IS PREFERABLE. NOT ONLY IS IT
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PAGE 04 ASUNCI 03950 01 OF 02 141056Z

FINANCIALLY MORE LUCRATIVE, IT IS LESS RISKY FROM A POLITICAL POINT OF VIEW AND REDUCES PRESSURE ON A GOVERNMENT RELUCTANT TO RESPOND TO BASIC HUMAN NEEDS.

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PAGE 01 ASUNCI 03950 02 OF 02 141101Z
ACTION ARA-15

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TO SECSTATE WASHDC 3976

C O N F I D E N T I A L SECTION 2 OF 2 ASUNCION 3950

E.O. 11652: GDS

4. WE ARE NOW IN THE UNCOMFORTABLE POSITION OF SEEING OUR BILATERAL PROGRAM AT THE MERCY OF THE GOP'S DECISION ON THE IAHRV VISIT. THERE IS NOT REASON TO BELIEVE THAT WITHHOLDING BILATERAL AID

EXERTS ANY DECISIVE PRESSURE ON THE GOVERNMENT TO FIX A DATE.
THE OFFICIALS AID DEALS WITH HERE AND THE PEOPLE ITS PROJECTS
SERVE HAVE LITTLE OR NO INFLUENCE ON THE DECISION TO SET A
DATE FOR ADMITTING THE IAHC.

5. GIVEN THESE CIRCUMSTANCES, IT SEEMS IMPERATIVE THAT WE FIND
ANOTHER WAY TO MAINTAIN PRESSURE ON THE GOP TO FIX A DATE. THE
MOST READILY AVAILABLE MECHANISM IS THE OAS PERMANENT COUNCIL,
WHERE OTHERS WILL SPEAK OUT FOR THE IAHC TOO. PARAGUAY MADE A
PUBLIC COMMITMENT AT THE VIII GENERAL ASSEMBLY IN JUNE TO ACCEPT
A VISIT BY THE COMMISSION AND THE GA PASSED A RESOLUTION CALLING
ON PARAGUAY TO DO SO SOON. TAKING IT BACK TO THE OAS WOULD
THEREBY MULTILATERALIZE THE PRESSURE BY SHIFTING THE FOCUS AND
DIMINISHING THE APPEARANCE THAT THE U. S. IS THE SOLE AGENT EN-
FORCING THE OAS RESOLUTION. IT GOES WITH SAYING THAT THE VERY
MENTION OF THE DATE OF THE VISIT NOW IN THE BILATERAL CONTEXT IS
A RED FLAG THAT EVOKES THE STRONGEST NEGATIVE REACTION AMONG
GOVERNMENT OFFICIALS. PRESSURE IN THE OAS CONTEXT MAY NOT BE AS
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PAGE 02 ASUNCI 03950 02 OF 02 141101Z

EFFECTIVE IMMEDIATELY BUT IT DOES NOT AROUSE THE SAME NATIONALISTIC
REFLEXES AS UNILATERAL U.S. ACTIONS DO.

6. DESPITE THE MISGIVINGS WE EXPRESSED IN REF B, ON BALANCE WE
CONTINUE TO FAVOR REGARDING GOP FOR IMPROVEMENTS TO DATE WHILE
TEMPERING OUR CONCRETE ACTIONS WITH DISCREET WARNINGS THAT IMPROVE-
MENT IN RELATIONS DEPENDS ON ITS RESPONSIVENESS ON HUMAN RIGHTS.
AS FURTHER EVIDENCE OF OUR GOOD WILL, AND TO SAVE THE
STRUCTURE OF OUR ASSISTANCE PROGRAM FROM PECEMEAL DETERIORA-
TION, WE RECOMMEND APPROVAL OF ONE BILATERAL LOAN PROGRAM
EARLY IN FY 79. PROJECT WE HAVE IN MIND IS SMALL FARM
TECHNOLOGY, A 5 MILLION LOAN PROGRAM CLEARLY FOCUSED ON BASIC
HUMAN NEEDS IN RURAL PARAGUAY. PROJECT INVOLVES WORKING
DIRECTLY WITH SMALL FARMERS IN MINIFUNDIA AREAS TO IMPLANT
IMPROVED TECHNOLOGIES WHICH HAVE BEEN TESTED ON THE FARM AND
FOUND TO BE ECONOMICALLY AND TECHNICALLY SUPERIOR IN THE CONTEXT
OF THE WHOLE FARM OPERATION. WE RECOMMEND APPROVAL OF THIS AID
LOAN IN PREFERENCE TO THE IDB AGRICULTURAL EDUCATION LOAN BECAUSE
IT IS MORE RESPONSIVE TO HUMAN NEEDS, WILL REQUIRE A SUBSTANTIAL
AND PERMANENT INCREASE IN COUNTERPART FUNDS FROM THE MINISTRY OF
AGRICULTURE AND WILL SIGNAL OUR DESIRE TO MAINTAIN A USAID MISSION
IF HUMAN RIGHTS CONDITIONS CONTINUE TO IMPROVE.

7. IF, DESPITE OUR BEST EFFORTS TO SAVE STRUCTURE OF OUR BILATERAL
ASSISTANCE, GOP REVERSES COURSE AWAY FROM IMPROVING DOMESTIC HUMAN
RIGHTS SITUATION AND REFUSES TO RESPOND TO OAS RESOLUTION ON IAHC
VISIT, USG SHOULD BE PREPARED TO COME DOWN HARD. WE HOPE DIS-
CREET WARNINGS TO GOP THAT CURRENT GESTURES ARE CONTINGENT ON RECIPR-
OCITY, UNSAID MEANING BEING RELEASE OF PRISONERS AND IAHC VISIT,
WILL AVOID THIS UNFORTUNATE CONTINGENCY. BUT, IF WE ARE SERIOUS

ABOUT SEEING HUMAN RIGHTS RESPECTED IN PARAGUAY, WE MUST BE
READY TO FOLLOW REWARDS WITH SANCTION IF OUR MESSAGE GOES
UNHEEDED.
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PAGE 03 ASUNCI 03950 02 OF 02 141101Z

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